

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2000-17-C - ORDER NO. 2001-297  
APRIL 30, 2001

IN RE: Application of KMC Telecom V, Inc. for a	) ORDER GRANTING	✓ a
Certificate of Public Convenience and	) CERTIFICATE FOR	
Necessity to Provide Local Exchange and	) LOCAL AND	
Interexchange Telecommunications Services	) INTEREXCHANGE	
in the State of South Carolina and for	) AUTHORITY AND FOR	
Alternative Regulation and Flexible	) ALTERNATIVE AND	
Regulation.	) FLEXIBLE REGULATION	

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of KMC Telecom V, Incorporated ("KMC V" or the "Company") for authority to provide local exchange and interexchange telecommunications services within the State of South Carolina. The Company requests that the Commission regulate its local telecommunications services in accordance with the principles and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C. In addition, the Company requests that the Commission regulate its business services offerings under the identical regulatory treatment granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Company's Application was filed pursuant to S.C. Code Ann. Section 58-9-280 (Supp. 2000) and the Rules and Regulations of the Commission.

By letter, the Commission's Executive Director instructed KMC V to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas

affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was received from the South Carolina Telephone Coalition (“SCTC”) on February 23, 2001.

On March 1, 2001, counsel for SCTC filed with the Commission a Stipulation in which KMC V stipulated that it would seek authority only in non-rural local exchange (“LEC”) service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until KMC V provided written notice of its intent prior to the date of the intended service. The Company also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. KMC V agreed to abide by all State and Federal laws and to participate to the extent that it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting of a statewide Certificate of Public Convenience and Necessity to the Company provided the conditions contained in the Stipulation are met. The Stipulation is approved and attached as Order Exhibit 1.

A hearing was commenced on March 29, 2001, at 11:30 a.m. in the Commission's Hearing Room. The Honorable William Saunders, Chairman, presided. KMC V was represented by Bonnie D. Shealy, Esquire. Adelaide D. Kline, Staff Counsel, represented

the Commission Staff. John D. McLaughlin, Jr., Director, State Government Affairs for KMC Telecom Holdings, Inc. (parent company of the KMC V), appeared and testified in support of the Application. Roy Barnette, Auditor, and David S. Lacoste, Engineer in Telecommunications, testified on behalf of the Commission Staff.

According to the record, KMC V is a Delaware corporation incorporated on March 15, 2000. KMC V has company headquarters in Bedminster, New Jersey. KMC V has received authority from the South Carolina Secretary of State to transact business within the State of South Carolina. KMC Telecom, Inc. was authorized to provide local exchange services, interexchange services, and switched and special access services in South Carolina on February 24, 1997, in Docket No. 96-337-C, Order No. 97-149. The certificate of authority was assigned to KMC Telecom, III, Inc. on April 14, 1999, in Docket No. 1999-087-C, Order No. 1999-280. The record further reveals that KMC Telecom, III, is currently providing local services in Columbia, Charleston, and Spartanburg, South Carolina. In providing services in South Carolina, KMC V intends to operate as a resold and facilities-based local exchange services carrier, as well as a resold intrastate interexchange provider of high-speed data services. Initially, KMC V proposes to offer high-capacity data services, consisting primarily of port wholesale data services. In the future, KMC V plans to offer other enhanced data services. Port wholesaling allows KMC V to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch.

Mr. McLaughlin opined that KMC V possesses the financial, technical, and managerial resources to provide telecommunications services in the State of South

Carolina. He said KMC V will rely upon the expertise of KMC Holdings' management team which oversees the operations of KMC V and its seven affiliates. Mr. McLaughlin said that team includes individuals who have successfully designed, managed and/or operated advanced communications facilities throughout the United States. Mr. McLaughlin testified that he spent thirteen years with the Georgia Public Service Commission (PSC) prior to joining KMC. His most recent assignment with the Georgia PSC was as Principal Public Utilities Engineer-Telecommunications. Mr. McLaughlin earned a Bachelor of Science degree in electrical engineering from the University of Tennessee. At KMC V, he is responsible for managing KMC V's state-level regulatory and legislative obligations throughout an eleven state region. The record reveals that Roscoe C. Young, II, is President and Chief Operating Officer of KMC V. Prior to joining KMC V, Mr. Young was Vice President of Network Services for Ameritech. He has also been a senior executive with AT&T Communications. He served during the Reagan administration as a special assistant to the Secretary of Defense. The record further reveals that William H. Stewart is KMC Holdings' Chief Financial Officer and Executive Vice President. He was previously employed with Nassau Capital. Charles Rosenblum is Senior Vice President of Human Resources. Mr. Rosenblum has over twenty years experience in human resources. He joined KMC Holdings in January 1997. Patricia Breckenridge is KMC Holdings' Executive Vice President of Business Development and Larry Salter serves as Executive Vice President of Network Operations. Ms. Breckenridge previously was Vice President and General Manager of FiberNet USA's Huntsville, Alabama operations. Mr. Salter joined KMC Holdings after

a twenty-six year career with AT&T Communications where he was involved in the development and management of Internet services, local area networks, secure systems, and a broad range of technical and engineering functions. Joseph P. Sheehan, III, joined KMC Holdings in June, 1998, as Manager of Financial Systems and Special Projects. He began his career with AT&T where he held various management positions. Chris R. Healy is Vice President of Products and Services for KMC V.

Mr. McLaughlin's testimony reveals that KMC V seeks authority to provide both facilities-based and resold local and interexchange services in South Carolina. Initially, KMC V intends to provide high-speed data services in Tier III Markets (population from 100,000 to 750,000). KMC V targets business, government and institutional end-users, as well as Internet service providers, long distance carriers and wireless service providers. KMC V is authorized to provide facilities-based and resold local exchange, switched and special access, and resold interexchange services in thirty-four states and the District of Columbia. KMC V is authorized to provide resold local exchange service only in Colorado, New Hampshire, and Wyoming. In addition, KMC V's affiliates operate as providers of facilities-based and resold local exchange, switched and special access, and resold interexchange services throughout the United States. KMC V's affiliates are authorized by virtue of certification, registration, or (where appropriate) on an unregulated basis to provide local exchange and interexchange telecommunications services in twenty-seven states. KMC V, at the time of the hearing, had applications for authorization pending in ten states. He said that KMC V is not yet providing services in any state. Mr. McLaughlin testified that KMC V seeks authority to operate as a resold

and facilities-based local exchange services carrier, as well as a resold intrastate interexchange provider of high-speed data services. Mr. McLaughlin and Mike Duke will serve as the Company's regulatory contact persons. Mr. McLaughlin will serve as the Company's financial information contact person.

Initially, KMC V proposes to offer high-capacity data services, consisting primarily of port wholesale data service. He said the Company plans to offer other enhanced data services in the future. Port wholesaling allows KMC V to provide data switching to Internet service providers by allowing data calls to be terminated through the port wholesale equipment rather than the switch. KMC V proposes to offer data services within the present operating areas of BellSouth, GTE/Verizon, and Sprint/United within South Carolina. KMC V is seeking state-wide authority for its future interexchange services. KMC V's local exchange network in South Carolina will consist of deploying NEBS (Network Equipment Building Standard) compliant Remote Access Servers (RAS) equipment in non-ILEC collocation space such as carrier hotels for interconnection to ILECs and IXC providers. NEBS is a rigid and extensive set of performance, quality, environmental and safety requirements developed by Bellcore (now Telcordia Technologies). RAS equipment will interconnect with ILEC networks using Inter Machine Trunks (IMTs). KMC V will draw upon the engineering and technical expertise of its specialized staffs to manage its network and provision services.

With regard to KMC V's financial ability to operate as a telecommunications carrier, Mr. McLaughlin states that KMC V has access to the financing and capital necessary to conduct its telecommunications operations in South Carolina. During an

initial transition period, KMC V will rely in part upon the financial assets of its parent company, KMC Telecom Holdings, Inc. to ensure that it has sufficient capital to maintain its operations. Mr. McLaughlin stated that KMC Holdings is a financially healthy company that has always been cash positive. He further stated that KMC Telecom Holdings, Inc. does have plans to go public in the future.

As to the Company's customer service, the record reveals that KMC V will offer comprehensive customer service, providing support throughout the relationship with each customer. The customer service center will be staffed by 35-100 fully trained professionals who deal with KMC V's customers on a daily basis and who will be prepared to assist clients with any request. Should a customer experience a service impairing situation, they can dial the toll-free number 1-888-KMC-THE1/1-888-562-8431 for assistance. KMC V's customer service department will be available twenty-four hours a day, seven days a week. Services will be billed monthly by KMC V at the rates specified in its tariff. Bills will include a toll-free number for inquiries or complaints.

Mr. McLaughlin asserts that KMC V will operate in compliance with all applicable statutes, regulations, and Commission orders. Further, Mr. McLaughlin assured the Commission that KMC V's service will meet applicable service standards and that KMC V will support universally available telephone service at affordable prices. Further, Mr. McLaughlin offered that approval of KMC V's Application serves the public interest by increasing telecommunications competition in South Carolina thereby bringing about lower rates, improved quality of service, and enhanced services. Moreover, the presence of KMC V in the market will increase incentives for the ILEC's

to reduce their prices, offer more innovative services, and improve their quality of service thereby benefiting all consumers in South Carolina. Mr. McLaughlin also offered that approval of KMC V's Application would not adversely impact the availability of affordable local service because approval of the Application should enhance competition in South Carolina which, in turn, should increase downward pressures on rates as well as enhance product and service quality and diversity.

Finally, Mr. McLaughlin discussed KMC V's requests for certain waivers of Commission regulations and for relaxed regulatory treatment. KMC V requests that the Commission regulate its interexchange business services, consumer card, and operator service offerings in accordance with the principles and procedures established by Orders No. 95-1734 and 96-55 in Docket No. 1995-661-C. In addition, the Company requests that the Commission regulate its local exchange telecommunications services under the flexible regulatory treatment approved by Order No. 1998-165 in Docket No. 1997-467-C. KMC V asks that it be exempt from any rules or regulations that would require it to keep its financial records in conformance with the Uniform System of Accounts. KMC V seeks to maintain its books of accounts in accordance with the Generally Accepted Accounting Principles. Additionally, the Company seeks a waiver of 26 S.C. Code Ann. Regs. 103-631 (1976 & Supp. 2000) so that it will not be required to publish local exchange directories. KMC V will contract with at least one incumbent local exchange carrier for the inclusion of KMC V's CLEC data base into the master customer data base of the local exchange carrier. The Company also seeks waiver of 26 S.C. Code Ann. Regs. 103-610 (1976 & Supp. 2000) so that KMC V can maintain its records outside of



South Carolina. The Company wishes to maintain its books and records at its headquarters in Bedminster, New Jersey. Additionally, KMC V requests that the Commission exempt it from any requirements related to 911 services because the Company will offer only data services in South Carolina and does not foresee offering any voice services.

Mr. Barnette testified as to his findings of the Audit Department's review of KMC V's financial statements that were submitted as part of the Company's Application. Mr. Barnette stated that KMC V's financial abilities to provide services in South Carolina are based on the financial support of the parent company, KMC Telecom Holdings, Inc. KMC V submitted its parent's financial statements for review with its Application. Mr. Barnette said he reviewed two sets of financial statements for this Applicant. He said he first reviewed financial sets audited and dated December 31, 1999. He said he next reviewed a second set of financial statements which were for the period January 1-September 30, 2000. This second set of statements was unaudited. The second set of statements closely reflected a similar position to the first set of financial statements dated December 31, 1999. According to Mr. Barnette, the first set of financial statements indicated a company in which cash made up 10% of total assets. The current ratio had improved on the statements dated September 30, 2000, with long-term debt at 89% of total liabilities and equity. Mr. Barnette opined that based on the financial statements filed, KMC V's parent company, KMC Telecom Holdings, Inc., will need to begin generating operating profits and/or have some other source of capital in order to service

its long-term debt and improve the deficit in retained earnings. He testified that this source of capital could come in the form of additional paid in capital by the stockholders.

Mr. Lacoste presented testimony to the Commission on the findings of the Utilities Department with respect to KMC V's Application for a Certificate of Public Convenience and Necessity. According to Mr. Lacoste, KMC V seeks authority to provide facilities-based local and interexchange telecommunications services within South Carolina. He stated that the Application specifically addressed the Company's desire to offer large bandwidth port wholesale data services such as ISDN, HDSL, Internet Access, LAN to LAN interconnect, WATS, ATM and Frame Relay. Additionally, Mr. Lacoste testified that KMC V seeks to have its local telecommunications services regulated in accordance with the principles and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C. Also KMC V requests that the Commission regulate KMC V's long distance business service offerings, including consumer card and operator service offerings in accordance with the principles and procedures established by Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Mr. Lacoste stated that the Staff did not oppose waiver of the application of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000) concerning the publication of local directories or waiver of application of 26 S.C. Code Ann. Regs. 103-610 (1976) which requires that all records be kept within the State of South Carolina, or the grant of permission to maintain books and records in conformance with Generally Accepted Accounting Principles (GAAP) rather than the Uniform System of Accounts (USOA). He

also stated that the Commission Staff has no opposition to the Company's request to not be involved with 911/E911 services.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

### **FINDINGS OF FACT**

1. KMC V is a privately held corporation duly organized and existing under the laws of the State of Delaware and is authorized to do business in the State of South Carolina by the Secretary of State.

2. KMC V is a provider of local exchange and interexchange telecommunications services and wishes to provide its services in South Carolina.

3. KMC V has the managerial, technical, and financial resources to provide the services as described in its Application. S.C. Code Ann. Section 58-9-280 (B)(1) (Supp. 2000).

4. The Commission finds that KMC V's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. Section 58-9-280 (B)(3) (Supp. 2000).

5. The Commission finds that KMC V will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280 (B)(4) (Supp. 2000).

6. The Commission finds that KMC V will provide services which will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280 (B)(2) (Supp. 2000).

7. The Commission finds that the provision of local exchange service by KMC V “does not otherwise adversely impact the public interest.” S.C. Code Ann. Section 58-9-280 (B)(5) (Supp. 2000).

### **CONCLUSIONS OF LAW**

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to KMC V to provide competitive intrastate local exchange service in the service area of incumbent local exchange carriers BellSouth, GTE/Verizon, and Sprint/United and interexchange services to customers throughout the State of South Carolina. The terms of the Stipulation between KMC V and SCTC are approved, and adopted as a part of this Order. Therefore, any proposal to provide local telecommunications service to rural service areas is subject to the terms of the Stipulation. In addition, KMC V is granted authority to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through its own facilities and through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), directory assistance, travel card service or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. KMC V shall file, prior to offering local exchange services in South Carolina, its final tariff of its local service offerings conforming to all matters discussed

with Staff and comports with South Carolina law in all matters. KMC V's local telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C.

Specifically, the Commission adopts for KMC V's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels that will have been previously approved by the Commission. Further, KMC V's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, in which case the tariff filing would be suspended pending further Order of the Commission. Further, any such tariff filings will be subject to the same monitoring process as similarly situated competitive local exchange carriers.

3. The Commission adopts a rate design for the long distance services of KMC V which are consistent with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Under the Commission approved alternative regulation, the business service offerings of KMC V, including consumer card services and operator services, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff

filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to KMC V also.

4. With regard to the residential interexchange service offerings of KMC V, the Commission adopts a rate design which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

5. With regard to residential interexchange service rates, KMC V shall not adjust its residential interexchange service rates below the approved maximum level without notice to the Commission and to the public. KMC V shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 2000).

6. If it has not already done so by the date of issuance of this Order, KMC V shall file its revised long distance tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

7. KMC V is subject to access charges pursuant to Commission Order No. 86-584 in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

8. With regard to the Company's resale interexchange service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

9. KMC V shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If KMC V changes underlying carriers, it shall notify the Commission in writing.

10. With regard to the origination and termination of toll calls within the same LATA, KMC V shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

11. KMC V shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The

annual report and the gross receipt filings will necessitate the filing of intrastate information. Therefore, KMC V shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at [www.psc.state.sc.us/forms/default.htm](http://www.psc.state.sc.us/forms/default.htm). The two page form the Company shall use to file this information is entitled "Annual Information on South Carolina Operations for Interexchange Companies and AOS". Be advised that the Commission's annual report for telecommunications companies requires the filing of intrastate revenues and intrastate expenses.

12. In addition, KMC V is required to file annual report information for competitive local exchange carriers. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at [www.psc.state.sc.us/forms/default.htm](http://www.psc.state.sc.us/forms/default.htm). This form is entitled "Annual Report for Competitive Local Exchange Carriers" and consists of four pages. Additionally, KMC V shall file with the Commission a quarterly report entitled "CLEC Service Quality Quarterly Report." The proper form for this report is found on the Commission's website at [www.psc.state.sc.us/forms/default.htm](http://www.psc.state.sc.us/forms/default.htm).

13. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the



name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

KMC V shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form the Company shall use to file this authorized utility representative information can be found at the Commission's website at [www.psc.state.sc.us/forms](http://www.psc.state.sc.us/forms). This form is entitled "Authorized Utility Representative Information." Further, the Company shall promptly notify the Commission in writing if the representatives are replaced. KMC V shall also file with the Commission a copy of its general Bill Form as required by S.C. Code Regs. 103-612.2 and 103-622 (1976 and Supp. 2000).

14. KMC V shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

15. By its Application, KMC V requested a waiver of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000). In lieu of publishing local directories, KMC V informs the Commission that it will contract with the incumbent LECs to provide KMC V's customers with directory listings, as well as to undertake the distribution of directories. The Commission finds KMC V's request reasonable and grants the requested waiver of the application of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000). Further, KMC V is granted a waiver of 26 S.C. Regs. 103-610(1976 and Supp. 2000) requiring the Company to maintain its financial books and records within the State of

South Carolina. KMC V is hereby granted permission to maintain its financial books and records at its principal headquarters in Bedminster, New Jersey, provided KMC V makes the records available for examination by the Commission upon reasonable request. KMC V is also hereby granted permission to be excluded from 911/E requirements. Further, the Commission acknowledges that KMC V will maintain its financial books and records in conformance with GAAP. KMC V is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

16. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)

BEFORE  
THE PUBLIC SERVICE COMMISSION  
OF  
SOUTH CAROLINA

Docket No. 2001-17-C

Re: Application of KMC Telecom V, Inc. for )  
a Certificate of Public Convenience and )  
Necessity to Provide Both Facilities-based )  
and Resold Local Exchange and Inter- )  
exchange Telecommunications Services in )  
the State of South Carolina )

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**STIPULATION**

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and KMC Telecom V, Inc. ("KMC Telecom V, Inc.") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose KMC Telecom V, Inc.'s Application. SCTC and KMC Telecom V, Inc. stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to KMC Telecom V, Inc., provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. KMC Telecom V, Inc. stipulates and agrees that any Certificate which may be granted will authorize KMC Telecom V, Inc. to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. KMC Telecom V, Inc. stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. KMC Telecom V, Inc. stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area,

unless and until KMC Telecom V, Inc. provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, KMC Telecom V, Inc. acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. KMC Telecom V, Inc. stipulates and agrees that, if KMC Telecom V, Inc. gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then KMC Telecom V, Inc. will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. KMC Telecom V, Inc. acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and KMC Telecom V, Inc., and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

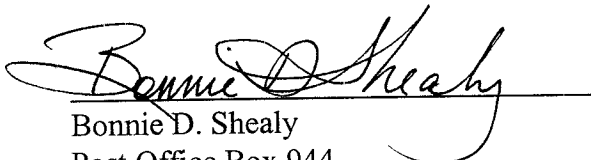
8. KMC Telecom V, Inc. agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

9. KMC Telecom V, Inc. hereby amends its application and its pre-filed testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 1<sup>st</sup> day of March, 2001.

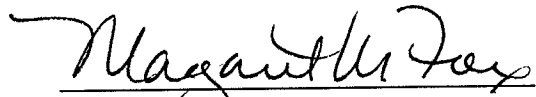
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Attorneys for the South Carolina  
Telephone Coalition

## ATTACHMENT A

### South Carolina Telephone Coalition Member Companies for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.  
Chesnee Telephone Company  
Chester Telephone Company  
Farmers Telephone Cooperative, Inc.  
Ft. Mill Telephone Company  
Heath Springs Telephone Company Inc.  
Home Telephone Company, Inc.  
Lancaster Telephone Company  
Lockhart Telephone Company  
McClellanville Telephone Company  
Norway Telephone Company  
Palmetto Rural Telephone Cooperative, Inc.  
Piedmont Rural Telephone Cooperative, Inc.  
Pond Branch Telephone Company  
Ridgeway Telephone Company  
Rock Hill Telephone Company  
Sandhill Telephone Cooperative, Inc.  
St. Stephen Telephone Company  
West Carolina Rural Telephone Cooperative, Inc.  
Williston Telephone Company

BEFORE  
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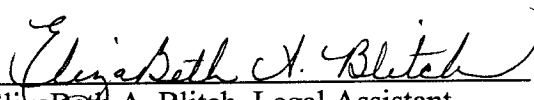
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the State of South Carolina )  
\_\_\_\_\_ )

**CERTIFICATE OF  
SERVICE**

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the foregoing Stipulation upon the following party of record by causing said copy to be deposited with the United States Mail, first class postage prepaid to:

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March 1, 2001

Columbia, South Carolina